MEPP

Municipal Employees' Pension Plan

2014 Annual Report

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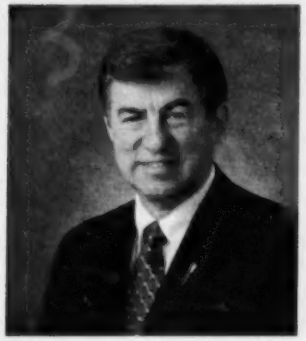
This annual report is available in electronic format at **www.peba.gov.sk.ca**

LETTERS of transmittal



Ken Krawetz
Minister of Finance

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Municipal Employees' Pension Plan for the year ending December 31, 2014.

Ken Krawetz
Minister of Finance

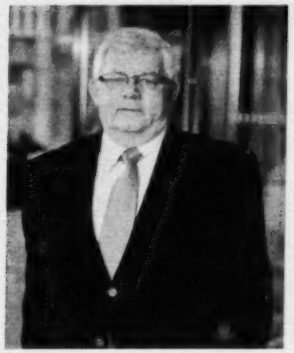
The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Municipal Employees' Pension Commission, I have the honour of submitting the Annual Report of the Municipal Employees' Pension Plan for the year ending December 31, 2014.

Wayne Steen
Chair

Chair's comments



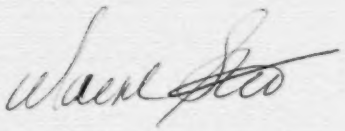
Wayne Steen
Chair

On behalf of the Municipal Employees' Pension Commission, I am pleased to present the Annual Report for the year ended December 31, 2014.

As a defined benefit plan, we strive to meet future pension obligations and develop strategic plans to ensure our Plan's sustainability. This past year, the Commission invited you to attend consultation sessions and to complete surveys to discuss the long-term vision and ongoing management of the Plan. These Municipal Employees' Pension Plan (MEPP) Member Consultations were conducted to help us explore new options to ensure long-term sustainability and allow you to tell us what you would like to see for the future of your Plan. The Commission will review these responses and use the feedback in 2015 to assess previous strategic plans and risk assessment in the better interest of our members and stakeholders.

The Commission is committed to strong governance practices and is attentive to the ever changing environment of pensions. MEPP continues to improve pension resources and offer beneficial retirement planning tools and workshops to help you make informed decisions about your retirement. By modernizing our current website and retirement resources, with more interactive and user friendly tools, we hope to increase member engagement. Also, we look forward to presenting you with a new look in the upcoming year, as we will be refreshing the MEPP branding, logo and all publications.

On behalf of the MEPP Commission, I would like to express appreciation to Betty Moleski, for her dedication and leadership in serving as the previous Chair. I would also like to thank the members of the 2014 Commission for their commitment to the Plan and I am honoured to Chair the Commission in 2015.

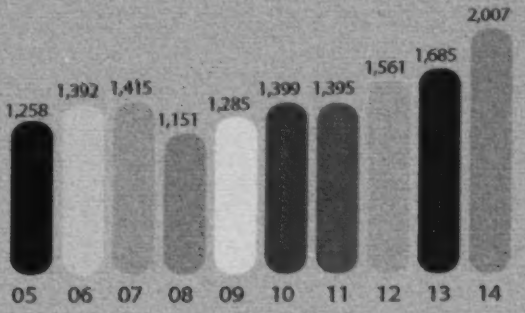


Wayne Steen
Chair

Financial highlights (as at December 31, 2014)

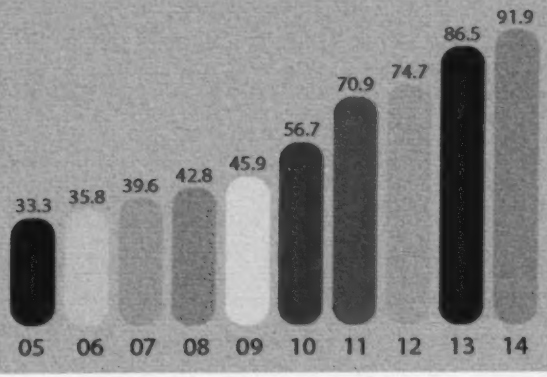
Total Assets of the Plan

$2.01 billion



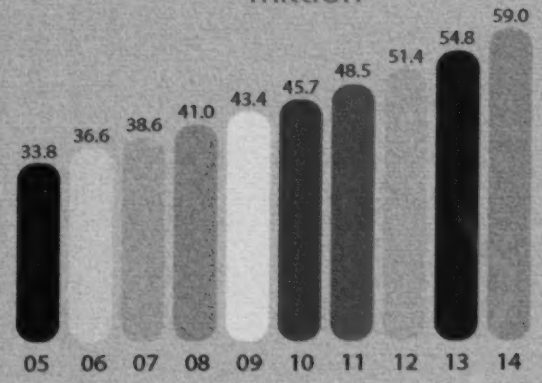
Net Contributions

$91.9 million



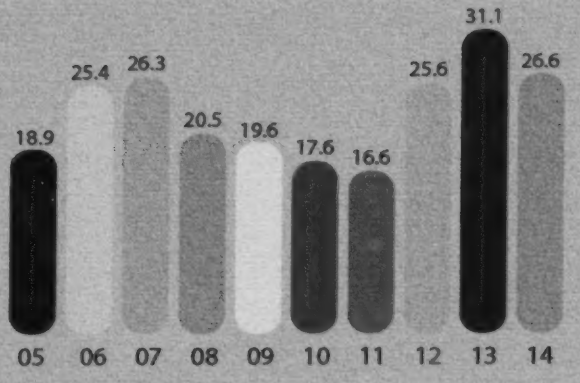
Total Pension Payroll

$59.0 million



Transfers, Refunds & Termination Payments

$26.6 million



Investment highlights

Total MEPP Fund Investment Performance (%)										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Fund Real Return	20.8	9.6	14.5	0.6	10.0	14.5	(16.2)	4.2	13.6	12.1
Benchmark	19.5	8.6	10.8	0.4	10.1	15.5	(17.7)	3.3	12.9	10.6
Rolling 4-year Average Returns (%)										
Total Fund Real Return	11.1	7.8	9.8	1.5	2.4	3.2	2.7	10.3	13.0	8.9
Benchmark	9.8	7.6	9.4	0.1	1.9	2.7	1.7	9.3	12.0	6.9

Comparative Investment and Administration Costs ($ thousands)										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Administrative Costs	5,330	4,997	4,894	4,922	4,048	3,654	3,162	2,822	2,540	2,328
Custodial fees	599	786	518	141	155	167	210	207	128	131
Investment fees	8,635	7,865	5,498	4,655	4,254	4,828	6,112	3,906	3,237	2,708
Totals	**14,564**	**13,648**	**10,910**	**9,718**	**8,457**	**8,649**	**9,484**	**6,935**	**5,905**	**5,167**

Members Served

Average Age

47.1

active members

Plan members

24.1

thousand

Pensioners

5.0

thousand

Plan profile

The Municipal Employees' Pension Plan (MEPP or the Plan) is a 'defined benefit' plan. Pensions are based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on highest average salary, pensionable service and the accrual rate in effect during the years of service. Members contribute a fixed percentage of salary. Employers match these contributions.

The amount of pension a member will receive is not directly related to investment returns. An adequate level of contributions and positive investment returns are necessary to secure the Plan's ability to pay benefits.

Under normal retirement rules, members may retire and receive a pension with no reduction if they are 65 years of age, or if their age and eligibility service equal at least 80 years. Members may retire and receive a reduced pension if they have reached age 55 and have at least 15 years of eligibility service.

Designated firefighters and police officers may receive an unreduced pension if their age and eligibility service equal at least 75, they are 55 years of age, or they have at least 25 years of eligibility service. These members may retire and receive a reduced pension if they have reached age 45 and their age and eligibility service equal at least 70.

MEPP's history begins in the 1940s. Initially, the Rural Municipal Secretary Treasurer's Superannuation Plan was established in 1941. In 1949, the Urban Employees' Superannuation Plan was established. In 1959, these two plans joined to form the Municipal Employees' Superannuation Plan, which became a defined benefit plan in 1973.

MEPP is registered under the *Income Tax Act* (Canada) and is governed by *The Municipal Employees' Pension Act* and related regulations, and *The Pension Benefits Act, 1992* and related regulations.

The Plan holds over $2 billion in total assets. MEPP's membership consists of more than 24,000 members, of which 5,000 are pensioners.

The Commission

The Municipal Employees' Pension Commission (the Commission) administers MEPP. The Commission has the fiduciary responsibility for administering MEPP and managing the investment activities in the best interests of all MEPP members.

The Commission has 10 members, five appointed on behalf of participating employers and five on behalf of employees. The full term of office for Commission members is four years. A member may be appointed for two full terms.

Each year the Commission members elect a Chair and a Vice-Chair. At December 31, 2014, the Commission was composed of the members listed below.

Betty Moleski, Chair
Trade Unions representing employees who are members of the Plan

Wayne Steen, Vice-Chair
Saskatchewan School Boards Association

Ray Orb, Member
The Saskatchewan Association of Rural Municipalities

Don McCallum, Member
The Rural Municipal Administrators' Association of Saskatchewan

Rory Griffith, Member
The Saskatchewan Association of School Business Officials

Randy Goulden, Member
The Saskatchewan Urban Municipalities Association

Beverly Crossman, Member
Regional Colleges/Regional Libraries

Brad Hvidston, Member
The Urban Municipal Administrators' Association of Saskatchewan

Randy Hurd, Member
Associations representing Designated Police Officers and Firefighters

Jeff McNaughton, Member
Saskatchewan School Boards Association

Purpose Mission & Goals

To provide retirement income and pension services to members.

To oversee and direct the administration of the Plan, and manage the assets in the best interest of the members.

Customer Service Excellence

Plan Integrity

Governance Leadership

Transparent Accountability

Our Mission

To oversee and direct the administration of the Plan and manage the assets in the best interests of members.

Our Goals

- Customer Service Excellence: The Commission is determined to identify, assess, and implement opportunities where appropriate that add value to the communication and service provided to Plan members.
- Plan Integrity: The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services.
- Governance Leadership: The Commission strives to demonstrate leading practices of pension plan governance.
- Transparent Accountability: The Commission informs the Plan's stakeholders about its strategy, operations and values, as well as how Plan performance is measured, managed and reported.

Our Values

- **Accountability:** We are accountable to the members and the stakeholders of the Municipal Employees' Pension Plan for our administration of the Plan. We operate in a transparent manner.
- **Professionalism:** We strive for excellence in the administration of the Municipal Employees' Pension Plan by being diligent and making informed decisions.
- **Integrity:** As trustees of the Municipal Employees' Pension Fund, we hold ourselves to the highest standards of integrity. We strive to act always with honesty and in a manner worthy of the trust our members have placed in us.
- **Fairness:** We administer the Municipal Employees' Pension Plan in the best interests of all members of the Plan. We strive to ensure that our decisions are equitable for all Plan members by adhering to decision making that is fair and open-minded. Our actions are courteous, considerate and responsive.

PLAN MEMBER
Municipal Employees' Pension Plan

Attendance

The Commission met nine times in 2014. Table 1.1 shows the number of meetings each Commission member attended.

Name	Number of Meetings Attended
Betty Moleski	7
Rory Griffith	8
Randy Goulden	8
Don McCallum	8
Ray Orb	6
Wayne Steen	8
Brad Hvidston	9
Beverly Crossman	9
Randy Hurd	8
Jeff McNaughton*	7
Bonnie Ozirny**	2

Table 1.1

* This Commission member's appointment began March 15, 2014. He attended 100 per cent of meetings he was eligible to attend during his appointment.

** This Commission member's appointment ended March 14, 2014. She attended 100 per cent of meetings she was eligible to attend during her appointment.

Education

The Commission has an education program for its members. The purpose of this program is to ensure the Commission members possess a sound knowledge and understanding of pension, investment and governance issues. The Commission budgets $5,000 per year for each Commission member for educational registration fees.

Upon appointment to the Commission, new members receive information outlining the documents that come before the Commission, the Municipal Employees' Pension Plan member booklet, the Annual Report, information on the budget, the funding policy, the Statement of Investment Policies and Procedures (SIP&P), the Strategic Business Plan and updates, the Risk Management Plan and review of the previous year's Risk Management Plan, as well as the meeting minutes for the past year.

Within three months of appointment, members will receive an orientation provided by the Public Employees Benefits Agency's (PEBA) Executive Management.

Commission members have a formal education program that they are required to attend. The program provides a list of courses and seminars that deliver content specific to investment, funding, and governance related information.

- Within one year, members must attend education sessions on basic investment and actuarial principles, and are to attend the Queen's Governance Program facilitated by Queen's School of Business, Queen's University.
- Within two years, members are to complete the Board Effectiveness Program presented by the International Centre for Pension Management at the Rotman School of Management, University of Toronto.

Commission members who have completed the formal education program are required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization. A Commission member who is actively pursuing the formal education program is exempt from the ongoing developmental requirements for members. However, all members are strongly encouraged to attend an educational event.

Conferences and other events attended by Commission members as part of their ongoing education provide the Commission with information on the current governance, investment and legal environment affecting pension plans. They also provide opportunities for Commission members to meet with pension experts and trustees from other plans to discuss common issues.

As part of a comprehensive education program, education sessions delivered by industry professionals were provided throughout the year as an agenda item during Commission meetings.

Sessions provided this year to Commission members at meetings:

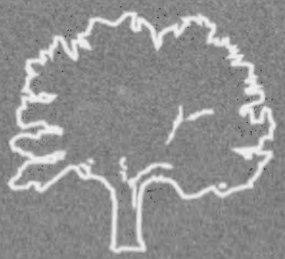
- Commission Fiduciary Duties
- Risk Management
- Actuarial 101
- Legal Decision Updates
- Budget Development Process
- PEBA Services
- Pension Plan Sustainability Comparison

Table 12 lists the external education events attended by Commission members to December 31, 2014.

Education Events Attended by Commission Members in 2014

Commission Member	Total Registration Fees	Total Honorarium	Total Other Expenses	Total
Beverly Crossman Queen's Fundamentals of Governance CPBI Global Investment Outlook CPBI Saskatchewan Regional Conference	$4,585.00	$2,125.00	$969.28	$7,679.28
Rory Griffith Queen's Fundamentals of Governance	$4,100.00	$1,500.00	$980.51	$6,580.51
Randy Hurd Queen's Fundamentals of Governance	$4,100.00	$1,581.60	$1,084.93	$6,766.53
Brad Hvidston Rotman's Board Effectiveness Program	$6,950.00	$1,500.00	$2,412.90	$10,862.90
Donald McCallum Queen's Fundamentals of Governance	$4,100.00	$1,370.00	$1,192.04	$6,662.04
Jeff McNaughton Queen's Fundamentals of Governance CPBI Saskatchewan Regional Conference CPBI TRIP to Sustainability CPBI Benefits Administration	$4,100.00	$1,250.00	$1,364.96	$6,714.96
Ray Orb Brown Governance Essentials Workshop	$1,150.00	$548.00	$431.75	$2,129.75
Wayne Steen School for Pension Investment Management	$3,051.00	$1,000.00	$1,820.88	$5,871.88
Totals	$32,136.00	$10,874.60	$10,257.25	**$53,267.85**

Table 12



"We administer MEPP in the best interests of all members of the Plan."

Contracted Services

The Commission is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Commission uses the services of various organizations.

The Commission contracts with the PEBA to provide executive management and administrative services for the Plan. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefits plans.

Under contract with the Commission, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Municipal Employees' Pension Fund (the Fund);
- transfers contributions to the custodian of the Fund for investment;
- monitors, administers and assists in the execution of the Plan's investment program in accordance with the investment policy;
- determines coverage and eligibility for benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers;
- recommends an actuary as an advisor to PEBA and the Commission, and retains an actuary selected on behalf of the Commission;
- recommends policy regarding calculating rates of interest and implements and calculates the rates of return for the Plan; and
- prepares the annual report.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Municipal Employees' Pension Act*, *The Pension Benefits Act, 1992*, and their related regulations.

The Commission retains RBC Investor & Treasury Services as the Plan custodian, Aon Hewitt as the Plan actuary, Deloitte as Plan auditor, and Mercer (Canada) Limited as the investment consultant. The Commission also retains the investment managers listed in Table 1.10 on page 30 of this report.

LEFT TO RIGHT:

Jeff McNaughton
Beverly Crossman
Ray Orb
Wayne Steen
Betty Moleski
Randy Hurd
Don McCallum
Rory Griffith
Randy Goulden

NOT PICTURED:

Brad Hvidston

Plan expenditures and statistics

Pension Payments

PEBA's service objectives are to ensure that all payments are made by their due dates and that all supplemental increases for pensioners are processed on a timely basis. PEBA met these objectives in 2014.

The number of member retirements in 2014 is shown in Table 1.3.

Retirement Comparisons		
	2014	**2013**
Normal Retirement	74	63
Early Retirement	191	162
Postponed Retirement	54	49
Temporary Retirement	13	25
Total	**332**	**299**

Table 1.3

Plan Membership

In 2014, Plan membership increased for active members, pensioners and inactive members as shown in Table 1.4.

Plan Member Comparisons		
	2014	**2013**
Active	15,244	14,858
Inactive	3,867	3,783
Pensioners	5,014	4,814
Total	24,125	23,455

Table 1.4

Income Allocation

In 2014, the Commission allocated interest to members' accounts at the rate of 19.38 per cent.

Supplemental Increases for Pensioners

No supplemental increases were applied in 2014.

Operating Expenditures

Table 1.5 on page 15 shows plan operating expenditures for the year ended December 31, 2014.

Plan Member
Municipal Employees' Pension Plan

Expenses

	Total Cost ($ thousands)	(%)
Administration costs / Investment consultant fees	$5,330	36.60
Custodial fees	599	4.11
Investment management fees		
Infrastructure	1,729	11.87
Greystone Managed Investments Inc.	427	2.93
Foyston, Gordon & Payne Inc.	369	2.53
Brandes Investment Partners, LP	544	3.74
BlackRock Asset Management Canada Ltd.	77	0.53
Snyder Capital Management, LP	777	5.33
Pareto Investment Management Ltd.	52	0.36
TDAM Fixed Income Overlay	418	2.87
Canso Investment Domestic Portfolio	370	2.54
PIMCO Investments Global Shadow A/C	452	3.10
Wellington Management Global Shadow	377	2.59
CGOV Asset Management	553	3.79
Schroder Investment Management North America Inc.	1,157	7.95
Vontobel Asset Management, Inc.	944	6.48
Private Equity	389	2.68
	$14,564	**100.0**

Table 15

PEBA reports measurement against standards to the Commission quarterly. Table 16 and Table 17 provide measurement results for the 2014 year.

PEBA Service Standards January 1, 2014 to December 31, 2014

	Completed	Number that Meet or Exceeded Standard	% that Meet or Exceeded Standard	*Standard (Business Days and % Target)	
Statement on Termination (Option Letter)	1,503	1,262	84.0	20	75%
Statement on Death (Active/Deferred) (Option Letter)	25	22	88.0	10	80%
Statement on Death (Pensioners) (Option Letter)	169	161	95.3	10	80%
Payments (includes on termination and death)	1,469	1,358	92.4	10	80%
Payment of New Retirements	305	296	97.1	15	80%
Pension Estimates (Retirement Option Letter)	542	435	80.3	10	90%
Marriage Breakdown Calculations	43	37	86.1	10	75%
Purchase of Service	29	24	82.8	20	80%
Portability Transfer Values	38	32	84.2	30	80%
Total	**4,123**	**3,627**	**88.0**		

Table 16

PEBA Periodic Requirements January 1, 2014 to December 31, 2014

	Completed	Number that Meet or Exceeded Standard	% that Meet or Exceeded Standard	*Standard (Business Days)
Annual Member Statement	1	1	100.0	75
Budget Variance Reporting	4	4	100.0	Quarterly
Proposed Annual Budget	1	1	100.0	Annually
Performance Measurement	4	4	100.0	Quarterly
Decisions Affecting Stakeholders	0	0	n/a	1 Month
Newsletter (MEPP *Matters*)	2	2	100.0	Semi-annually
Total	**12**	**12**	**100**	

* Standard is set within the contract between the Commission and PEBA

Table 17

Active Employers

At December 31, 2014, there were 738 employers participating in the Plan.

The distribution of employers by employment sector is shown in Figure 1.1.

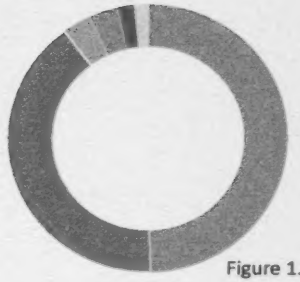


Figure 1.1

49.7%	Towns and Villages (367)
40.1%	Rural Municipalities (296)
3.4%	School Divisions and Boards (25)
3.3%	Other (24)
2.0%	Regional Colleges & Libraries (15)
1.5%	Cities (11)

Active Members by Employer

The distribution of the Plan's active members by employer is shown in Figure 1.2.

The number of active members illustrated differs from the total active members in Table 1.4 on page 14 because some members work for more than one employer.

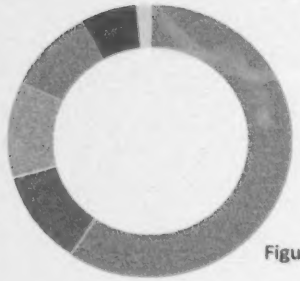


Figure 1.2

59.3%	School Divisions and Boards (9,298)
11.5%	Rural Municipalities (1,804)
11.3%	Towns and Villages (1,766)
9.9%	Cities (1,558)
6.6%	Regional Colleges & Libraries (1,031)
1.4%	Other (228)

Strategic initiatives

The Commission met in November 2013 for a strategic planning session. This included a review of the values, goals and objectives of the plan as well as identification of the current strategic risks for the Plan. From this planning session, the Strategic Plan for 2014-2016 and the associated initiatives were developed. The strategic business plan sets out goals for the planning period in four major categories.

Customer Service Excellence
The Commission is determined to identify, assess, and implement opportunities where appropriate that add value to the communication and service provided to Plan members.
Plan Integrity
The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services.
Governance Leadership
The Commission strives to demonstrate leading practices in pension plan governance.
Transparent Accountability
The Commission informs the Plan's stakeholders about its strategy, operations and values, as well as how Plan performance is measured, managed and reported.

The strategic business plan was developed as part of the Commission's comprehensive governance process, which includes regular strategic business planning and risk management planning. It was developed within the context of the Plan's purpose, mission and goals, and the Commission's values of accountability, professionalism, integrity and fairness. The new strategic business plan considers a number of internal and external factors.

Customer Service Excellence

The Commission's objectives:

- Provide members with information about the Plan, including individual member benefits and responsibilities, that is easy to understand, relevant, accurate, and timely.
- Support participating employers in their responsibilities.
- Maintain an up-to-date suite of services that meet evolving member needs.

The Commission has a number of ongoing communication strategies that are designed to inform members and employers about the Plan, including:

- A stakeholder consultation process.
- Providing members and employers with access to Retirement Information Consultants and a Customer Focus Coordinator to improve communications.
- Providing additional online forms and communications for employers and members.
- Developing and implementing increased information for employers, including employer bulletins and updates to the employer administration guide.

Activities in 2014

Update the website

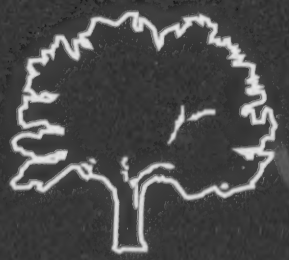
Updating the format of the website will continue into 2015. The website will be updated with a member's experience in mind, focusing on ease of navigation.

Review existing pension administration system requirements and capabilities

Documentation of the Plan's current administration capabilities and possible future requirements was completed in 2014. A search for a suitable vendor is to occur in 2015.

Electronic media

Assessment to determine areas where electronic media could replace print media, including member statements and newsletters, continued in 2014 and is slated for completion in 2015.



The strategic business plan sets out goals in four major categories.

Customer Service Excellence

Plan Integrity

Governance Leadership

Transparent Accountability

Plan Integrity

The Commission's objectives:

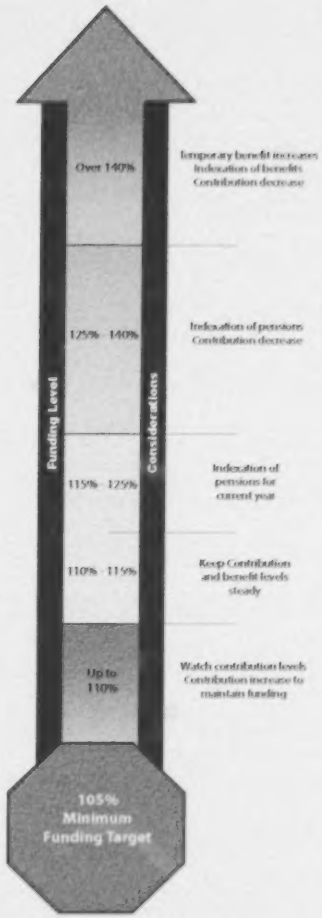
- Assess, manage, and monitor risk in the context of the interdependence that exists between the Plan's assets and liabilities.
- Preserve the accrued benefits for active and retired members and their beneficiaries.
- Provide sustainable benefits that are supported by the contributions required to meet the funding needs of the Plan.

The Commission has implemented a funding policy that monitors the ability of the Plan to pay benefits on a fully-funded basis. The policy includes established target ranges that the Commission uses to make decisions concerning plan contributions and benefit levels.

Activities in 2014

Continuing the assessment of the sustainability of the Plan

Stakeholder consultations took place in 2014. Consideration of the report, interpreting the data and determining a course of action will occur in 2015 and 2016.



Governance leadership

The Commission's objectives:

- The Commission demonstrates continuous improvement in the Commission's oversight of the Plan.
- Ensure the Plan's business model, including roles and responsibilities of both the Commission and the contracted service providers, is consistent with the Plan's strategy and operations.
- Assist organizations that appoint people to the Commission to understand the Commission's needs when making their appointments.

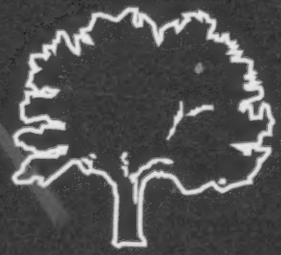
The Commission employs various tools to achieve its objectives, including:

- Enhancement of the Commission's education and orientation programs.
- A comprehensive Governance Manual.
- The development of Key Performance Indicator reporting.
- The establishment of service standards with the Plan's administrator.

Activities in 2014

The Commission will continue to conduct a formal evaluation of the provision of executive management services by its plan administrator.

The Commission received the results of the evaluation of the Public Employees Benefits Agency's provision of executive management services for the year-ended 2013. These results were discussed at its March 2014 meeting.



"...flexible and realistic options must be explored to address matters such as Plan sustainability"

Transparent accountability

The Commission's objectives:

- Members, employees and other stakeholders receive relevant and timely reporting on the performance of the Plan, the Commission and service providers.
- The membership, employers and other stakeholders are informed about how the Commission's strategy, operations and values impact the operation of the Plan.

The Commission demonstrates its accountability to the Plan's members and employers through:

- Annual self-assessments completed by the Commission.
- The development, implementation and review of the Commission's Strategic Business Plan.

Activities in 2014

The Commission will receive the proposed measures for the enhanced reporting tool, the Key Performance Indicators report. The proposed measures are to be approved and implemented.

All measures for the Key Performance Indicators report were identified and by the end of 2014, all measures were being tracked and reported to the Commission quarterly. External reporting is scheduled to begin with the 2015 annual report allowing for appropriate monitoring and review.

PLAN MEMBER
Municipal Employees' Pension Plan

Risk management

Within its mandate, the Municipal Employees' Pension Commission (the Commission) is responsible for managing risks that could affect the operation of the Municipal Employees' Pension Plan (the Plan), the Plan's members and other stakeholders.

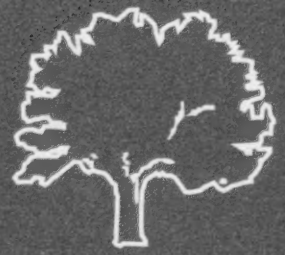
Annually, the Commission will conduct a risk management review. This review is designed to identify potential events and trends that may positively or negatively affect the Commission's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

The risk management process and review ensures that the Commission, along with its administrator, the Public Employees Benefits Agency (PEBA), identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks, and reviews the performance of the risk management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

The Commission's Risk Management Philosophy Statement

The Commission is committed to creating and maintaining value for the stakeholders of the Plan. The Plan faces risks as the Commission fulfills this commitment. Therefore, the Commission is responsible for managing all foreseeable risks that could affect the operation of the pension plan and the Plan's stakeholders. Through its risk management process, the Commission identifies, measures, monitors and manages these risks in a manner that is consistent with the Commission's governance model.



Risk: *The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other Stakeholders of the Plan or the attainment of strategic goals.*

Key Risks

In order to assist in the identification and assessment of all foreseeable risks in the Plan, the Commission has identified the following key broad-based risks of the Plan:

Broad-based Risks	(definition of risk)	Key Risks
Strategic Risk	encompasses the potential risks as they relate to communication and service delivery, plan design suitability, plan reputation, plan governance and accountability	• Communications and member engagement • Governance • Risks to members/Plan stemming from members' need for advice/guidance
Financial Risk	relates to the investment, funding, and benefit policies, plan design costs, and demographic considerations	• Market risk • Funding requirement shortfall • Changes in cost • Fraud
Regulatory Risk	is associated with non-compliance with legislation, fiduciary obligations and the legal requirements of pension plan management	• Non-compliance with legislative requirements • Failure to meet fiduciary obligations to Plan members and their beneficiaries
Operational Risk	includes operational emergencies and non-compliance with governance policies	• Investment manager performance • Errors or omissions • Loss of service provider • Poor performance of service providers • Capacity to deliver services

Table 1.8

The Commission has developed and implemented these strategies and business practices to manage the identified risks.

- The Commission consults with stakeholders periodically. A stakeholder consultation process provides employers and Plan members with the opportunity to consider the affordability of the benefits provided and the contributions needed to fund these benefits.

- The Commission regularly reviews plan design. A formal funding policy as a part of the design enables the Commission to be proactive in managing the financial status of the Plan.

- The Commission is committed to communications that inform members and employers on the Plan.

  The Commission's administrator provides retirement information seminars and individual information to Plan members.

  Information tools include member and employer seminars, employer bulletins and guides, written materials, and online resources such as the Plan website, the Electronic Remittance System and the *MORe* retirement calculator.

- The Commission receives reports on administrative activities including service standards and a report on key performance indicators quarterly. The Periodic Checklist is a list of major items identified by the Commission that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Commission on a semi-annual basis.

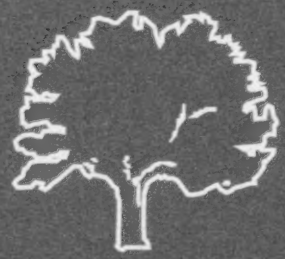
- The Commission strives to demonstrate leading practices in pension plan governance. This includes regular review of its Governance Manual to ensure it is comprehensive and effective.

- The Commission compares its governance against industry benchmarks and other pension plan governing bodies from across Canada which includes receiving a report comparing the administrative costs for public-sector pension plans annually.

- The Commission formally reviews its Strategic Business Plan on a periodic basis.

- The Commission has an Acquisition and Retention of Services policy that details how the Commission is to retain and evaluate service providers.

  The Commission retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.



The Commission's risk management process is guided by the following key values:

Accountability

Professionalism

Integrity

Fairness

The Commission evaluates the performance of the executive management services provided by its administrator, investment consultant, investment managers, and custodian at least annually.

- The Commission has a Statement of Investment Policies and Procedures (SIP&P) that outlines the Commission's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&P defines the benchmark to which investment performance is measured. The Commission annually reviews the SIP&P and communicates investment performance.

- The Commission ensures initiatives and Plan-related activities are adequately funded through its budgeting process.

- The Commission's administrator has internal controls in place which are reported on annually by the Office of the Provincial Auditor.

- Commission members are required to review and sign the Commission's Code of Conduct and Conflict of Interest Procedures annually.

- The Commission requires that service providers confirm that they maintain disaster recovery plans and adhere to a code of conduct.

- In order to identify and mitigate risks that affect the Plan, the Commission undertakes an annual risk management process.

- The Commission consults with legal counsel and other expert advisors regarding issues on which it is deliberating.

- On a periodic basis, the Commission reviews existing products, services and practices that the Plan offers to its members.

Activities Accomplished in 2014

The final periodic checklist confirmed that all required activities were completed in 2014. Beyond the required activities, the following items were also accomplished in 2014:

Continue the sustainability review of the Plan. This includes the development of a communications plan for the sustainability review.

- A communications plan was developed and Stakeholder consultations were held in 2014.

  Consideration of the report interpreting the data and determining a course of action will occur in 2015 and 2016.

- The Commission also held discussions with its Actuary regarding plan design, key funding indicators and sustainability of the Plan.

Examine whether the Plan should provide financial advice to members.

- The Commission considered the provision of financial advice to members. After review and deliberation, the current practice of providing guidance to members was confirmed to be appropriate and fiscally prudent.

The Commission will ensure timely implementation of key performance indicators.

- By the final quarter of 2014, all of the key performance indicators and appropriate measures were identified and incorporated into a quarterly Key Performance Indicators report.

Continue to monitor and review the process of investment manager oversight.

- At the Commission's request, additional information regarding individual investment managers was expanded in the Investment Monitoring Report which the Commission examines quarterly.

Other Activities Accomplished in 2014

- The Commission received education regarding the risk management process from industry authorities.
- The Commission received a report comparing the Commission's governance practices to model governance provisions supporting pension fund best practice principles and approved incremental changes in its risk management practices providing continuous improvement to its risk management foundation.

Activities Planned for 2015

- The Commission will continue to periodically evaluate the performance of its auditor, investment consultant, and custodian.
- The Commission will continue to evaluate the performance of PEBA's Executive Management annually.
- The Commission will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.
- The completed Periodic Checklist will be provided to the Commission on a semi-annual basis.
- The Commission will continue to work with its administrator and actuary on the review of the current Plan design for MEPP and potential options for future plan design to determine if changes in the Plan or legislation are required.
- The Commission will receive a report from a third-party expert examining its governance processes within a fiduciary benchmarking study of the public pension plan industry.

The Commission believes that the broad-based risks are integrated with each other and with the processes of the Plan. The Commission has resolved to retain a balanced approach in the management of all four types of risk.

Investments

Investment Policy

In fulfilling its responsibility to prudently invest the Fund's assets, the Commission has adopted an investment policy for the Plan. This policy is set out in the Statement of Investment Policies and Procedures (SIP&P), which the Commission reviews annually.

The SIP&P contains guidelines for investment of Plan assets, and includes:

- investment and risk philosophy;
- asset mix and diversification policy, including portfolio return expectations;
- benchmarks for each investment manager and for the Fund;
- permitted investments and quality guidelines;
- monitoring and control responsibilities, including performance targets;
- compliance reporting and monitoring requirements; and
- conflict of interest guidelines.

Investment Consultant

The Plan's investment consultant is Mercer (Canada) Ltd. In 2014, the investment consultant provided strategic investment guidance, performance monitoring, regular and special project investment consulting, and reports to the Commission. The Commission paid consulting fees of $518,500 in 2014 (Table 1.9).

Fees Paid for Investment Services in 2014	
Investment Managers (total)	$8,635,000
Investment Consultant	519,000
Custodian	599,000
Total	**$9,753,000**

Table 1.9

Investment Managers

The Commission delegates responsibility for investing the Fund assets to professional investment managers. Each manager invests within a specific mandate, as outlined in *Table 1.10*. Investment managers were paid a total of $8,635,000 in 2014.

Assets by Investment Manager

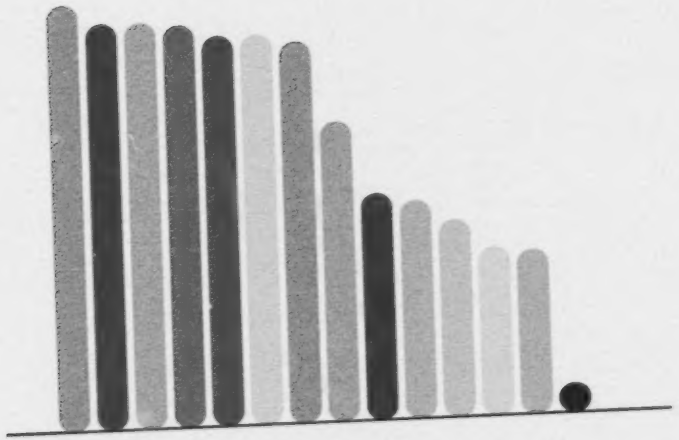


Figure 1.3

10.4% TD Asset Management, Inc.
9.9% Wellington Management Company, LLP
9.9% Vontobel Asset Management, Inc.
9.8% CGOV Asset Management
9.5% PIMCO Canada Corp.
9.5% Schroder Investment Management North America Inc.
9.3% Canso Investment Council Ltd.
7.3% BlackRock Asset Management Canada Ltd.
5.5% Greystone Managed Investments Inc.
5.3% Foyston, Gordon & Payne Inc.
4.8% Snyder Capital Management, LP
4.1% Brandes Investment Partners, LP
4.0% Infrastructure (Various)
0.7% Private Equity (Various)

Trustees

As trustees of the Fund, the Commission is responsible for prudently investing the Fund's assets.

Investment Manager	Mandate
Canso Investment Council Ltd.	Corporate Bonds
PIMCO Canada Corp.	Core Plus Bonds
TD Asset Management, Inc.	Bond Overlay
Wellington Management Company, LLP	Long Bonds Plus
CGOV Asset Management	Canadian Equities
Foyston, Gordon & Payne Inc.	Canadian Equities
BlackRock Asset Management Canada Ltd.	U.S. Equities
Brandes Investment Partners, LP	Non-North American Equities
Schroder Investment Management North America Inc.	Global Equities
Vontobel Asset Management, Inc.	Global Equities
Snyder Capital Management, LP	U.S. Small Cap Equities
Pareto Investment Management Ltd.	Currency
Greystone Managed Investments Inc.	Real Estate

Investment Manager	Mandate
Antin Infrastructure Partners	Infrastructure
Global Infrastructure Partners	Infrastructure
SteelRiver Infrastructure Fund North America, LP	Infrastructure
Falcon Investment Advisors, LLC	Private Equity
Great Hill Partners	Private Equity
Kohlberg Kravis Roberts & Co. L.P.	Private Equity
Lexington Partners L.P.	Private Equity
Neuberger Berman Group LLC	Private Equity
New Mountain Capital LLC	Private Equity
Silver Lake Management LLC	Private Equity
Stirling Square Capital Partners LLP	Private Equity
Vista Equity Partners	Private Equity

Table 1.10

Custodian

The Commission retains RBC Investor Services Trust as the custodian of the Plan. The custodian is responsible for:

- safekeeping of assets;
- collection of income;
- settlement of investment transactions; and
- recording and verifying investment transactions.

RBC Investor Services Trust received $599,000 in fees in 2014.

Investment Objectives

Total Fund

The Fund's primary objective is to grow at a rate which exceeds the growth of the Plan's liabilities. To measure the growth of the Plan's liabilities, a fixed income portfolio that approximates its going-concern pension liabilities behaviour (the liability benchmark) has been established.

To achieve its goal, the Commission has established:

- a long-term strategic asset mix that is reflected by the Plan's benchmark (a standard against which performance is measured); and,
- an investment management structure consisting of one or more investment managers in each major asset class.

MEPP Asset Mix

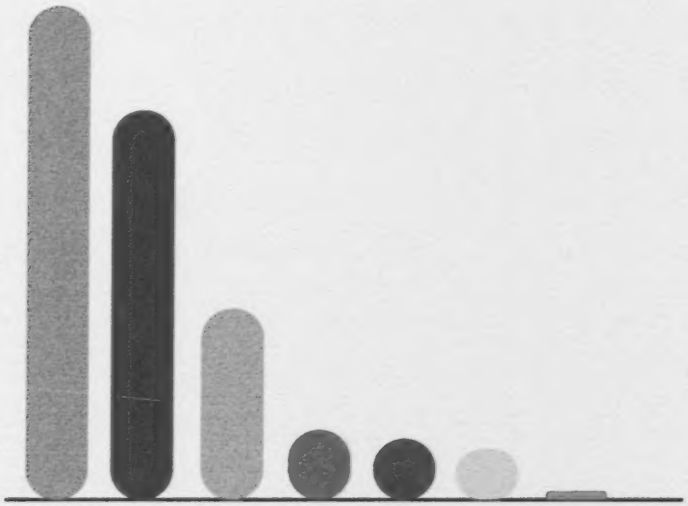
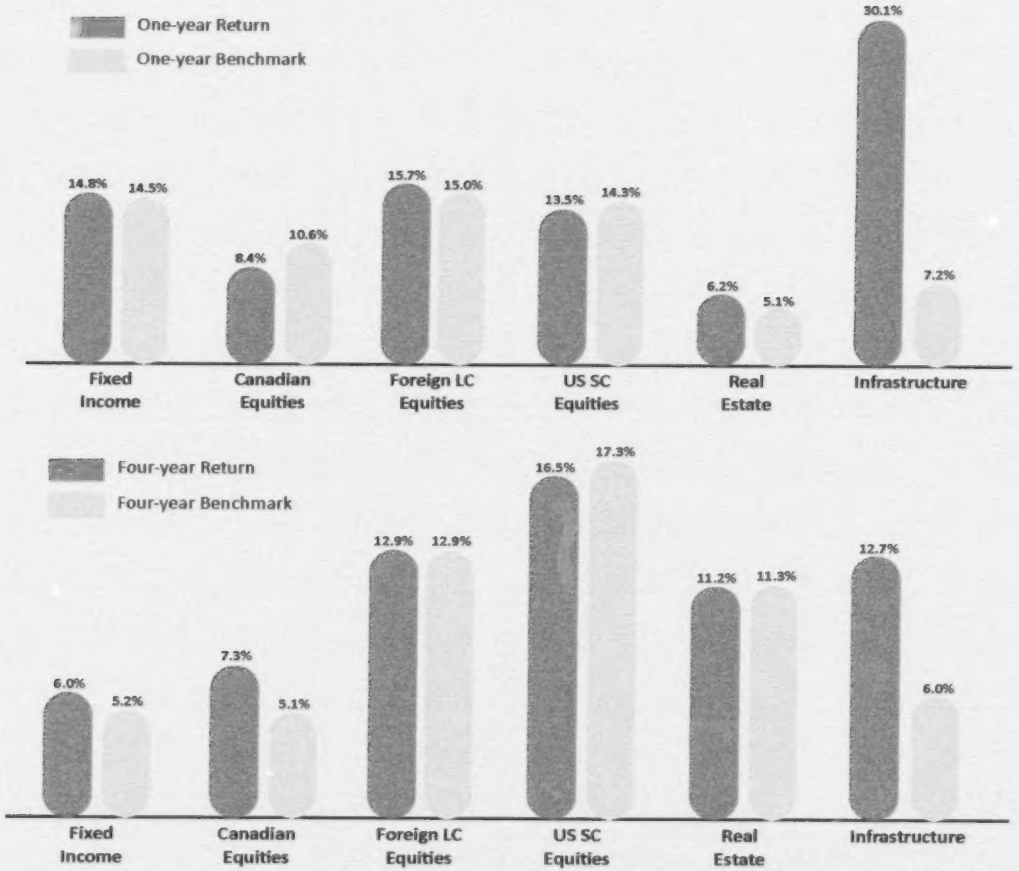


Figure 1.4

39.1%	Fixed Income
30.8%	Foreign Large Cap Equities
15.1%	Canadian Equities
5.5%	Real Estate
4.8%	U.S. Small Cap Equities
4.0%	Infrastructure
0.7%	Private Equity

Performance by Asset Class



Foreign Currency Investment Manager

Pareto Investment Management Ltd. passively hedges 50 per cent of the Plan's foreign currency exposure within its foreign equities allocation against changes in value of various developed market currencies relative to the Canadian dollar. In 2014 this strategy had an impact of -2.3 per cent on foreign equities exposure, consistent with its benchmark.

MANAGEMENT'S report

To the Members of the Legislative Assembly of Saskatchewan

Administration of the Municipal Employees' Pension Plan is presently assigned to the Public Employees Benefits Agency of the Ministry of Finance. Management is responsible for financial administration, administration of funds and managing of assets.

The financial statements which follow have been prepared by management in conformity with Canadian accounting standards for pension plans. Management uses internal controls and exercises its best judgment in order that the financial statements fairly reflect the financial position of the Plan.

The Municipal Employees' Pension Commission reviews and approves the financial statements. In doing so, the Commission has had the opportunity to discuss the statements with management throughout the year.

The provision for annuity benefits and the accrued pension benefits are determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events and require approval by management.

The financial statements have been audited by Deloitte LLP whose report follows.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
March 20, 2015

ACTUARIAL opinion

AON Hewitt

With respect to the Municipal Employees' Pension Plan, I have prepared an actuarial valuation as at December 31, 2013 with the results subsequently extrapolated to December 31, 2014, for the purpose of determining the necessary actuarial information for financial statement reporting purposes in accordance with Section 4600 of the CPA Canada Handbook.

In my opinion, for the purpose of this actuarial valuation and extrapolation:

- The data on which this valuation and subsequent extrapolation are based are sufficient and reliable.
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered a specific opinion on them; however, in my opinion, the assumptions are, in aggregate, not unreasonable when considering the circumstances of the program and the purpose of the valuation and extrapolation.
- The actuarial cost methods, extrapolation methods and valuation methods employed are appropriate.
- The actuarial valuation and extrapolation conform to the requirements of Section 4600 of the CPA Canada Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Society of Actuaries Fellow, Canadian Institute of Actuaries
February 6, 2015

Municipal Employees' Pension Plan

Financial Statements

Year ended December 31, 2014

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Municipal Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2014, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations and provision for annuity obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Municipal Employees' Pension Plan as at December 31, 2014, and the changes in its net assets available for benefits and changes in its pension obligations and annuity obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants
March 20, 2015
Regina, Saskatchewan

Municipal Employees' Pension Plan
Statement of Financial Position

Statement 1

(in thousands)

	December 31, 2014			December 31, 2013
	Defined Benefit	Retirement Annuities	Total	Total
ASSETS				
Investments (Note 4)				
Short-term	$43,886	$477	$44,363	$29,276
Bonds	265,510	2,889	268,399	469,167
Equities	623,770	6,786	630,556	630,655
Private equity	13,436	146	13,582	2,049
Infrastructure	79,192	862	80,054	59,878
Pooled funds	713,908	7,767	721,675	326,611
Investments under securities lending program	140,830	1,532	142,362	114,275
	1,880,532	20,459	1,900,991	1,631,911
Accounts receivable				
Employee contributions	2,931	-	2,931	2,574
Employer contributions	2,931	-	2,931	2,574
Accrued investment income	3,383	37	3,420	4,818
Other receivables	580	6	586	22
	9,825	43	9,868	9,988
Due from General Revenue Fund (Note 6)	3,143	33	3,176	4,063
Cash	91,707	845	92,552	39,205
Total assets	1,985,207	21,380	2,006,587	1,685,167
LIABILITIES				
Accounts payable	4,242	46	4,288	2,430
Currency hedging (Note 5)	4,166	45	4,211	5,137
Provision for annuity obligations (Statement 3, Note 10)	-	17,944	17,944	19,328
Total liabilities	8,408	18,035	26,443	26,895
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	1,976,799	3,345	1,980,144	1,658,272
Pension Obligations (Statement 3, Note 9)	1,646,142	-	1,646,142	1,471,958
SURPLUS	$330,657	$3,345	$334,002	$186,314

(See accompanying notes to the financial statements)

Municipal Employees' Pension Plan
Statement of Changes in Net Assets Available for Benefits

Statement 2

(in thousands)

Year Ended December 31	2014 Defined Benefit	2014 Retirement Annuities	2014 Total	2013 Total
INCREASE IN ASSETS				
Investment income				
Interest	$18,272	$199	$18,471	$23,935
Security lending	139	2	141	175
Pooled funds	4,675	51	4,726	6,960
Dividends	19,905	230	20,135	14,950
Infrastructure	11,813	136	11,949	7,716
	54,804	618	55,422	53,736
Change in fair value of investments	287,057	3,123	290,180	99,952
Contributions				
Employee contributions	44,929	-	44,929	42,853
Employer contributions	44,839	-	44,839	42,673
Reciprocal transfers in	2,041	-	2,041	772
Arrears contributions and interest	81	-	81	210
Inter-fund transfer	(319)	319	-	-
	91,571	319	91,890	86,508
Net decrease in provision for annuity benefits (Statement 3, Note 10)	-	1,384	1,384	2,193
Total increase in assets	433,432	5,444	438,876	242,389
DECREASE IN ASSETS				
Transfers and refunds (Note 8)	26,578	-	26,578	31,056
Benefit payments (Note 8)	6,623	-	6,623	9,568
Pension obligation payments	56,109	-	56,109	51,722
Annuities	-	2,937	2,937	3,074
Investment transaction costs	10,077	116	10,193	9,965
Administrative expenses (Note 12)	14,407	157	14,564	13,648
Total decrease in assets	113,794	3,210	117,004	119,033
INCREASE IN NET ASSETS	319,638	2,234	321,872	123,356
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	1,657,161	1,111	1,658,272	1,534,916
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$1,976,799	$3,345	$1,980,144	$1,658,272

(See accompanying notes to the financial statements)

Municipal Employees' Pension Plan
Statement of Changes in Pension Obligations and Provision for Annuity Obligations
Statement 3

Year Ended December 31	(in thousands) 2014	2013
PENSION OBLIGATIONS, BEGINNING OF YEAR	$1,471,958	$1,394,268
Increase in pension obligations		
Interest on pension obligations	95,458	90,102
Pension obligations accrued	80,831	75,397
Transfers-in	2,041	772
Experience loss	1,080	3,765
Change in assumptions	84,403	-
	263,813	170,036
Decrease in pension obligations		
Transfers, refunds and defined pension obligations paid	89,310	92,346
Experience gain	319	-
Transfer to provision for annuities	-	-
Change in assumptions	-	-
	89,629	92,346
PENSION OBLIGATIONS, END OF YEAR (Note 9)	$1,646,142	$1,471,958
PROVISION FOR ANNUITY OBLIGATIONS, BEGINNING OF YEAR	$19,328	$21,521
Increase in provision for annuity obligations		
Interest on annuity obligations	1171	1,299
New annuities purchased	319	-
Experience loss	527	-
	2,017	1,299
Decrease in provision for annuity obligations		
Annuities paid	2,937	3,074
Change in assumptions	464	418
	3,401	3,492
PROVISION FOR ANNUITY OBLIGATIONS, END OF YEAR (Note 10)	$17,944	$19,328

(See accompanying notes to the financial statements)

1. Description of the Municipal Employees' Pension Plan

General

The Municipal Employees' Pension Plan (the "Plan") which is domiciled in Regina, Saskatchewan, is comprised of three components: defined benefit, defined contribution benefit and retirement annuities. The following description of the Plan is a summary only. For more complete information, reference should be made to *The Municipal Employees' Pension Act*.

The Municipal Employees' Pension Act (the "Act") provides authority for the Plan. The Act directs that all allowances, payments and refunds under the Act shall be payable out of the Plan in the manner provided in the Act together with all benefits granted under a former Act. The Municipal Employees' Pension Commission (the "Commission") is responsible for holding in trust and investing the monies of the Plan. The Commission's composition and authority to administer the Plan are provided in Section 7 of the Act.

The Plan is registered under *The Pension Benefits Act, 1992* and is required to provide valuations every three years as to whether the Plan has sufficient assets to meet its pension obligations on an on-going basis as well as on a hypothetical wind-up basis. These valuations are filed with the Superintendent of Pensions (the "Superintendent"). If the Plan has insufficient assets, the Act outlines the steps to address the shortfall of assets. The Commission filed its December 31, 2013 valuation with the Superintendent. The fund is required to obtain the next actuarial valuation as at December 31, 2016.

Defined Benefit Component

The Defined Benefit Component became effective July 1, 1973. This Defined Benefit Component is mandatory for permanent employees and optional for some non-permanent employees.

A. Funding

Effective January 1, 2014, employee contributions are 8.15% of salary for general members and 11.35% for police officers and firefighters (2013- 8.15% and 11.35% respectively). Employee contributions are matched by the employer. There are some employee contributions that are not matched by employers, these contributions consist of transfers from other plans and purchase of prior services.

B. Pensions

Employees receive a pension at age 65 for general members and at age 60 for police officers and firefighters, for each year and fractional year of contributory service in the Plan prior to retirement that is determined as:

For service earned before 1990 and service earned after 2000 but before 2006, the number of years of contributory service during these periods times the greater of:

a) 1.8% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (2% for police officers and firefighters); or

b) i) 1.3% of that portion of the member's average salary not exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan; and

ii) 2% of that portion of the member's average salary exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan.

For all other service, the number of years of contributory service for the period times the greater of:

a) 1.5% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (1.7% for police officers and firefighters); or

b) i) 1.3% of that portion of the member's average salary not exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan; and

ii) 2% of that portion of the member's average salary exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan.

Members who commenced employment on or after January 1, 1993:

For service earned after 2000 but before 2006, the number of years of contributory service during this period times 1.8% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (2% for police officers and firefighters).

For all other service, the number of years of contributory service for the period times 1.5% times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (1.7% for police officers and firefighters).

C. Retirement

Normal retirement is at age 65 for general members and age 60 for police officers and firefighters. Members may retire earlier under certain conditions.

The Plan also provides benefits in the event of termination of employment, death or disability.

D. Surplus

Any surpluses arising in the Plan can be utilized at the discretion of the Commission.

E. Transfers

Subject to lock in provisions of the Plan, transfer of a member's commuted value is payable when a member ceases to be employed.

As the December 31, 2013 actuarial valuation for filing purposes stated a solvency ratio of 88.9%, commuted value transfers out of the Plan are limited to 88.9%. Payment of the remaining transfer deficiency shall occur over the following five-year period.

Defined Contribution Component

The Defined Contribution Component consists of members who made contributions to the Defined Contribution Component in effect prior to July 1, 1973. Members may retire and purchase an annuity at age 65. Members may retire earlier under certain conditions. Upon retirement a member can purchase an annuity from either the Plan or a private insurer based on employee and employer contributions together with the interest thereon. In the event of death prior to retirement, the member's spouse may receive a life annuity or elect to receive a lump-sum payment of employee and employer contributions plus interest. If the member's beneficiary is other than the spouse, a lump-sum payment of employee and employer contributions plus interest is made.

Retirement Annuities Component

If a member elects to purchase an annuity through the Commission, an annuity contract is issued based on the member's balance, current interest rates and annuity tables.

The present value of these annuities are reflected as a liability of the Plan.

Supplementary Benefits

In accordance with the Act, the Commission may grant supplementary benefits to those members receiving pensions and annuities to compensate them for lost purchasing power. The Commission may grant the supplementary benefits as long as the solvency of the entire Plan is not impaired.

Income Taxes

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

2. Basis of Preparation

a. Statement of Compliance

The financial statements for the year ended December 31, 2014 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Canada Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRSs) have been followed.

b. Functional and Presentation Currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a. Basis of Presentation

The Plan has disclosed financial results for its Defined Benefit and Retirement Annuities components separately. The Plan maintains a single investment portfolio and assets were allocated to the retirement annuities component at January 1, 2002 based upon the provision for annuity obligations as at that date. Investment income is split so that it matches the rate of return and operating expenses and the change in fair value have been allocated relative to the assets. These financial statements were authorized and issued by the Commission on March 20, 2015.

b. Investments

Investments are stated at their fair value in the Statement of Financial Position. The change in the fair value of investments at the beginning and end of each year is reflected in the Statement of Changes in Net Assets Available for Benefits.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds are valued at year-end quoted market prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at the appropriate market interest rates.

Equities are valued at year-end quoted market prices from accredited stock exchanges on which the security is principally traded.

Private equity investments are valued at market values supplied by the private equity investment manager. These market values are based on a year-end valuation of the underlying investments performed by the private equity investment manager and are adjusted for subsequent cash flows and changes in exchange rates for investments outside Canada.

Infrastructure investments are valued at market values supplied by the infrastructure investment manager. These market values are based on a year-end valuation of the underlying investments performed by the infrastructure investment manager and are adjusted for subsequent cash flows and changes in exchange rates for investments outside Canada.

Pooled fund investments are valued at the year-end unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices. Real estate pooled-fund underlying assets are valued by third-party appraisals.

Investments in derivative financial instruments, including futures, repurchase agreements, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

c. Other Assets and Financial Liabilities

Accounts receivable are classified as loans and receivables and accounts payable are classified as other financial liabilities and are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

d. Investment Income and Transaction Costs

Investment income, which is recorded on the accrual basis, includes interest income, dividends, real estate operating income, pooled-fund income, infrastructure income, and security lending income.

Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

e. Foreign Currency Translation

The fair values of foreign currency denominated investments included in the statement of Financial Position are translated into Canadian dollars at year-end rates of exchange. Gains and losses from translations are included in the change in fair value of investments.

Foreign currency-denominated transactions are translated into Canadian dollars at the rates of exchange on the trade dates of the related transactions. Realized gains and losses on the sale of investments are included in the change in fair value of investments.

f. Provision for Annuity Obligations

Provision for annuity obligations represents the present value of the retirement annuities underwritten by the Plan and is determined pursuant to an actuarial valuation or extrapolation. Any change in the liability pursuant to the valuation or extrapolation is recognized as an increase or decrease in that year's statement of changes in pension obligations and provision for annuity obligations.

g. Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments, the provision for annuity obligations and pension obligations. Actual results could differ from these estimates.

h. Future Accounting Policy Changes

Certain new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements. In particular, IFRS 9, Financial Instruments, which has an effective date of adoption of January 1, 2018. The extent of the impact of adoption of this standard is not known at this time, but is not expected to be material.

4. Investments

Details of significant terms and conditions, exposure to interest rate and credit risks of investments are as follows:

Investments

The carrying values of the Plan's investments are as follows:

	2014	2013
Short-term	$44,363	$ 29,276
Bonds	268,399	469,167
Equities	630,556	630,655
Private equity	13,582	2,049
Infrastructure	80,054	59,878
Pooled Funds	721,675	326,611
	$1,758,629	$1,517,636
Investments under securities lending:		
Equities	$ 134,825	$ 78,588
Bonds	7,537	35,687
	$ 142,362	$ 114,275
	$1,900,991	$1,631,911

Security Lending Program

Through its custodian, the Plan participates in an investment security lending program for the purpose of generating fee income. Non-cash collateral of at least 105% of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned (see Securities lending in note 11). The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

Short-Term Investments

These investments are comprised of treasury bills, notes, commercial paper and repurchase agreements. The cash equivalent component of short-term investments held as of December 31, 2014 had an effective interest rate of 0.9% (2013 - 0.9% to 1.9%) and an average term to maturity of 36 days (2013 – 58 days). The Plan's investment policy states that investments must meet a minimum investment standard of "A2/P2" or equivalent rating as rated by a recognized bond rating service. In the prior year, other than the Government of Canada, no single issuer represented more than 58.94% of the total Plan's short-term investments. At December 31, 2014, the Government of Canada is the sole issuer of the Plan's short-term investments. Included in short-term investments is $31.0 million (2013 - $15.0 million) in repurchase agreements. At December 31, 2014, there are no holdings in swap collateral (2013 - $510 thousand) and no holdings in bond forwards (2013 - $91 thousand).

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized bond rating service unless otherwise permitted within a specific investment manager mandate. In addition, not more than 10% of its total bond market value may be invested in lower than BBB rated bonds. In 2014 there were 2.65% (2013 – 4.57%) invested in lower than BBB Bonds.

The market value, coupon rates and effective interest rate to maturity are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

2014 (in thousands)

Years to Maturity	Federal	Foreign Government	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$5,559	$ -	$ -	$ -	$61,403	$ 66,962	1.47% - 12.20%	3.10%
5 to 10	3,513	-	3,683	-	56,541	63,737	1.62% - 10.50%	4.08%
Over 10	17,144	2,595	75,344	441	49,713	145,237	2.75% - 7.56%	4.16%
Market Value	$26,216	$2,595	$79,027	$ 441	$167,657	$275,936		

2013 (in thousands)

Years to Maturity	Federal	Foreign Government	Provincial	Municipal	Corporate	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	$ -	$3,018	$ 840	$ -	$100,673	$104,531	1.25% - 9.0%	3.47%
5 to 10	28,761	442	35,205	1182	68,316	133,906	0.59% - 10.50%	5.45%
Over 10	57,962	4,999	132,981	11,336	59,139	266,417	1.50% - 9.00%	12.54%
Market Value	$86,723	$8,459	$169,026	$12,518	$228,128	$504,854		

All foreign bonds are reported in Canadian dollars.

Equities

The Plan's investment policy restricts no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any one corporation.

The investment policy allows between 19% and 41% of the Plan to be invested in foreign equities, including those held in pooled funds. As at December 31, 2014 the Plan held 23.64% (2013 – 25.07%) of the Plan's total investments in segregated foreign equities and 11.55% (2013 – 13.79%) of the Plan's total investments in pooled foreign equity funds. Foreign equities are comprised of 62.25% (2013 – 33.24%) in U.S. equities and 37.75% (2013 – 66.76%) in Non-North American equities.

All foreign equities are reported in Canadian dollars.

The Plan's equities have no fixed maturity date and are not exposed directly to interest rate risk. The average effective dividend rate is 2.66% (2013 – 2.31%).

Private Equity

Private equity investments are made through limited partnership arrangements. The investments represent partial equity ownership in entities that are not traded and priced in stock exchanges. Future commitments are due on demand and are based on the needs of the various partnerships the Plan has entered into. Liquidity requirements of meeting the future commitments are met through income generated from investment, holdings in pooled funds and investments in liquid assets traded on the active market which can be easily sold and converted into cash.

The Plan's private equity investments consist of the following:

	(in thousands)	
	2014	**2013**
Falcon Strategic Partners IV	$ 3,816	$ 1,495
Neuberger Berman Secondary Opportunities III	2,702	447
Silver Lake Partners IV	838	107
Vista Equity Partners Fund V	1,789	-
New Mountain Partners IV	1,625	-
Great Hill Equity Partners Fund V	2,811	-
Stirling Square Partners Fund III	1	-
	$ 13,582	$ 2,049

The Plan's investment policy limits private equity investments to a maximum of 8% of the Plan's assets. As of December 31, 2014 the Plan's private equity investments were 0.72% (2013 – 0.13%) of the Plan investments.

Falcon Strategic Partners IV is a limited partnership formed to invest in North American private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $2.2 million in Canadian funds.

Neuberger Berman Secondary Opportunities III is a limited partnership formed to invest in North American private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $9.2 million in Canadian funds.

Silver Lake Partners IV is a limited partnership formed to invest in North American private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $2.2 million in Canadian funds.

Vista Equity Partners Fund V is a limited partnership formed to invest in U.S. private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $3.9 million in Canadian funds.

New Mountain Partners Fund IV is a limited partnership formed to invest in North American private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $9.9 million in Canadian funds.

Great Hill Equity Partners Fund V is a limited partnership formed to invest in U.S. private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $8.7 million in Canadian funds.

Stirling Square Partners Fund III is a limited partnership formed to invest in European private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $9.8 million in Canadian funds.

Lexington Partners Fund VIII is a limited partnership formed to invest in worldwide private companies. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $11.6 million in Canadian funds.

Private equity managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- Market conditions
- Purchase price
- Estimated liquidation value
- Third-party transactions in the private market
- Present value of expected future cash flows
- Present value of anticipated sale or flotation when the asset is soon to be divested

The above factors involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Infrastructure Investments

Infrastructure investments are made through limited partnership arrangements. Advances are made to the limited partnerships, some of which are used to select and provide management support to the invested companies. The investments represent ownership in entities that invest in infrastructure assets. Future commitments are due on demand and are based on the needs of the various partnerships the Plan has entered into. Liquidity requirements of meeting the future commitments are met through income generated from investment, holdings in pooled funds and investments in liquid assets traded on the active market which can be easily sold and converted into cash.

The Plan's infrastructure investments consist of the following:

	(in thousands)	
	2014	**2013**
SteelRiver	$ 38,126	$ 30,897
Global Infrastructure Partners	19,821	17,875
Global Infrastructure Partners II	10,315	10,775
Antin Infrastructure Partners II	11,792	331
	$ 80,054	$ 59,878

The Plan's investment policy limits infrastructure investments to a maximum of 13% of the Plan's assets. As of December 31, 2014 the Plan's infrastructure investments were 4.22% (2013 – 3.68%) of the Plan investments.

SteelRiver is a limited partnership formed to invest in North American infrastructure projects. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $5.27 million in Canadian funds.

Global Infrastructure Partners is a limited partnership formed to invest in worldwide infrastructure projects. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $5.99 million in Canadian funds.

Global Infrastructure Partners II is a limited partnership formed to invest in worldwide infrastructure projects. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $21.78 million in Canadian funds.

Antin Infrastructure Partners II is a limited partnership formed to invest in worldwide infrastructure projects. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $26.34 million in Canadian funds

Kohberg Kravis Roberts Global Infrastructure Fund II is a limited partnership formed to invest in worldwide infrastructure projects. As at December 31, 2014 the Plan was committed to a further investment in this limited partnership of up to $40.60 million in Canadian funds.

Infrastructure managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- Market conditions
- Purchase price
- Estimated liquidation value
- Third-party transactions in the private market
- Present value of expected future cash flows
- Present value of anticipated sale or flotation when the asset is soon to be divested

The above factors involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Pooled Funds

The Plan's investment policy limits pooled-fund holdings to not more than 10% of the market value of the individual pooled fund. Exceptions to the 10% limit are allowed if provision has been made to transfer securities in kind when units of the pooled fund are sold. At December 31, 2014, there were provisions in place for all the Plan's pooled funds.

The Plan's pooled funds are comprised of:

Pooled Fund	Units Held (in thousands)		% of Total Units Outstanding		Market Value (in thousands)	
	2014	2013	2014	2013	2014	2013
U.S. Equity						
BlackRock CDN US Equity Index Non-Taxable Class A Fund	8,328	9,300	3.15%	2.86%	$146,315	$131,857
Non-North American Equity						
Brandes Canada International Equity Unit Trust	6,034	6,863	24.38%	27.62%	81,726	92,501
Bonds						
Wellington	16,773	-	25.60%	-	196,121	-
PIMCO	1,782	-	8.47%	-	188,826	-
Real Estate						
Greystone Real Estate Fund	1,004	1,004	2.10%	2.28%	108,687	102,253
					$721,675	$326,611

Pooled-fund investments are governed by the policies for each fund. Financial derivatives are permitted within the pooled funds as outlined below:

BlackRock funds may contain equity index futures, to replicate the return of the S&P 500 Composite Index.

Brandes may employ the use of foreign exchange contracts to hedge against changes in exchange rates and American depositary receipts to substitute for direct investment in the underlying security.

Wellington may buy and sell exchange-traded and over-the-counter derivative instruments, including interest rate, credit, index, and currency futures, currency, interest rate, total rate of return, and credit default swaps, currency, bond, and swap options, deliverable and non-deliverable currency forward contracts, and "to-be-announced" securities. The portfolio may also hold short positions in these instruments for hedging purposes, and in pursuit of the Portfolio's investment objective.

PIMCO may seek to obtain market exposure to the securities in which it primarily invests by using derivative instruments such as futures contracts, swap agreements or options, or by entering into forward transactions or by using other investment techniques.

Investments in real estate consist of Canadian commercial property held directly by the Greystone Real Estate Fund. The market appraisals used in valuing the real estate involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Fair Value

The Plan has classified its investments using a hierarchy that reflects the significance of the inputs used in determining their fair value.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

2014
(in thousands)

	Level 1	Level 2	Level 3	Total
Bonds	$ -	$275,936	$ -	$275,936
Pooled funds	-	612,988	108,687	721,675
Short-term	44,363	-	-	44,363
Equities	765,381	-	-	765,381
Private Equity	-	-	13,582	13,582
Infrastructure	-	-	80,054	80,054
Total	$809,744	$888,924	$202,323	$1,900,991

	Fair Value measurements using level 3 inputs			
	Infrastructure	Real Estate	Private Equity	Total
Balance at December 31, 2013	$59,878	$102,252	$2,049	$164,179
Purchases	15,918	-	11,275	27,193
Sales/ Return of Capital	(10,589)	-	(1,005)	(11,594)
Gains (losses)				
Realized	726	-	36	762
Unrealized	14,121	6,435	1,227	21,783
Balance at December 31, 2014	$80,054	$108,687	$13,582	$202,323

	2013 (in thousands)			
	Level 1	Level 2	Level 3	Total
Bonds	$ -	$504,854	$ -	$504,854
Pooled funds	-	224,359	102,252	326,611
Short-term	29,276	-	-	29,276
Equities	709,243	-	-	709,243
Private Equity	-	-	2,049	2,049
Infrastructure	-	-	59,878	59,878
Total	$738,519	$729,213	$164,179	$1,631,911

5. Derivatives

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates. The Plan objective is to achieve an overall Plan duration that approximates the duration of the Plan liabilities on a going-concern basis.

At December 31, 2014 the Plan held the following derivatives:

Future / Forward Contracts

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in its foreign equities. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

The Plan uses a passive currency hedging strategy to manage the currency exposures inherent in the foreign equity exposure of the Plan, as well as provide protection of the Canadian value of the portfolio. The following summarizes the Plan's use of foreign currency forward exchange contracts within the passive currency hedging strategy:

FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS

(in thousands)

	2014			2013		
Currency	Notional Value*	Gain (Loss)	Net Exposure	Notional Value*	Gain (Loss)	Net Exposure
AUD	-	-	-	(111)	22	49.9%
CHF	16,531	186	50.0%	(11,913)	(574)	49.9%
DKK	1,521	18	49.2%	(1,642)	(68)	50.0%
EUR	25,014	304	50.0%	(35,391)	(1,488)	50.0%
HKD	3,935	(81)	50.0%	(3,487)	(45)	50.0%
JPY	18,932	354	50.0%	(15,329)	686	49.9%
MXN	723	47	50.0%	(1,529)	11	50.0%
NOK	937	77	50.0%	-	-	-
GPB	29,950	(35)	50.0%	(29,515)	(1,405)	50.0%
SEK	733	26	50.0%	(1,114)	(43)	50.0%
USD	239,490	(5,109)	50.0%	(194,657)	(2,229)	49.9%
ZAR	995	2	48.3%	-	-	-
		(4,211)			(5,133)	

*Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange rate of cash flows, and is therefore not recorded on the financial statements.

Net exposure of Brandes Canada International Equity Unit Trust is the percentage of investments denominated in foreign currency that are not hedged through forward exchange contracts.

The hedge strategy involves protecting against the foreign equity exposures that exist in the underlying portfolio of U.S., global and Non-North American equity mandates. The Plan uses a passive hedging strategy with an applied hedge ratio of 50% of the underlying portfolio. Hedging is limited to those foreign currency exposures that are exposures in developed and emerging market currencies and excludes any Canadian Dollar exposures. The plan also hedges USD on top of other currency countries.

Based on the rates of exchange as of December 31, 2014, the forward contracts are in a net loss position of $4.2 million (2013 – loss of $5.1 million). The foreign currency forward exchange contracts are short-term in duration and all current contracts as of December 31, 2014 have a maturity date of less than one year.

As at December 31, 2014, the Plan no longer has investments in value-added contracts. In the prior year, management sought increased returns and endeavored to add value to the Plan by generating returns from relative movements between foreign currencies. These value-added contracts were not used for hedging purposes by the Plan and had experienced a net unrealized loss of $328 thousand during the 2013 year. The contracts were short-term in duration and had a maturity date of less than one year.

Repurchase Agreements

A repurchase agreement, also known as a repo, is a contract entered into between two counterparties to sell securities together with an agreement for the seller to buy back the securities at a later date. At December 31, 2014, the Plan has entered into repurchase agreements with a notional value of $912 million (2013 - $855 million) and a fair value of $31.03 million (2013 - $15.03 million). This amount is included in short-term investments on the Statement of Financial Position. The repurchase agreements have a term to maturity of less than one year. The amount of bonds pledged for collateral is $92 million (2013 - $98 million). The amount of collateral required is based on the notional value of the repurchase agreements and may fluctuate with the notional value. The investment in repurchase agreements is available as additional margin. No specific collateral is pledged for the repurchase agreement exposure as the investment is not leveraged. Collateral may be pledged to the Plan if the market value of the repurchase agreements changes significantly.

Interest Rate Swaps

An interest rate swap is an agreement in which two parties agree to exchange interest rate cash flows, based on a specified notional amount from a fixed interest rate to a variable interest rate. As at December 31, 2014, the Plan no longer has holdings in interest rate swaps. In the prior year, the Plan's holdings in interest rate swaps had a notional value of $124.3 million and experienced a loss in fair value of $306 thousand. This amount was included in bond investments on the Statement of Financial Position. The interest rate swap had a term to maturity of less than one year.

6. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty- day borrowing rate and the Plan's average daily bank account balance. The Government's thirty-day borrowing rate for 2014 was 0.96% (2013 – 1.05%).

7. Earnings Allocation to Members

Interest is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 2014, an interest rate of 19.38% (2013 – 8.88%) was calculated and applied to the Defined Contribution Component and the Defined Benefit Component. The applied interest rate is based on investment income, current year's change in fair value of the investments, less administration, custodian and investment managers' fees.

8. Transfers and Refunds

	(in thousands)	
	2014	**2013**
Transfers to other retirement plans	$ 544	$ 715
Transfers to other retirement vehicles	18,235	21,986
Withdrawals with interest	7,799	8,355
	$26,578	$31,056

Benefit Payments

	(in thousands)	
	2014	**2013**
Lump sum payments to estates	$ 1,693	$ 4,850
Payments in lieu of annuities	4,930	4,718
	$ 6,623	$ 9,568

9. Pension Obligations

The actuarial present value of pension obligations for the Defined Benefit Component of the Plan was determined using the projected benefit method prorated on service and management's best estimate assumptions of future investment performance, salary escalation, inflation, future pension indexing and mortality.

An actuarial valuation for management purposes was performed as at December 31, 2013 by AON Hewitt and they have extrapolated the results of that valuation to December 31, 2014 with interest, estimated service accruals and actual obligation payments for the purposes of these financial statements. Actuarial valuations for management purposes are performed annually.

An actuarial valuation for filing and funding purposes was performed as at December 31, 2013 by AON Hewitt and filed with the regulatory authorities. On the basis of that valuation, application was made and granted for temporary solvency deficiency payment relief under the *Pension Benefits Act; 1992*.The next valuation to be filed will be required effective December 31, 2016.

The pension liability is based on a number of assumptions about future events including interest rates, rate of salary increases, inflation, mortality, retirement rates and termination rates. The major assumptions used in determining the actuarial present value of pension obligations for the Defined Benefit Component of the Plan are:

	2014	2013
Interest rate	6.2%	6.5%
Salary escalation	3.5%	3.5%
Inflation	2.5%	2.5%
Indexation of pensions	none assumed	none assumed
Mortality	CPM 2014 Private at 115% for males and 100% for females (projected generationally)	UP 94 (projected generationally)

Actual rates may vary significantly from the long-term assumptions used. The following illustrates the effect of changing certain assumptions from the assumed rates of salary of 3.5%, interest rate of 6.2%, indexing on pre-1999 benefits of 0%, and indexing on post-1998 benefits of 0%. The changes in assumptions are independent of one another.

	Effect on Pension Obligation Liability					
	Salary		Interest Rate		Pension Indexing (pre 1999)	Pension Indexing (post 1998)
Assumptions	2.5%	4.5%	5.20%	7.20%	1.0%	1.0%
(Decrease) Increase	(2.8%)	3.2%	14.1%	(11.2%)	3.4%	6.2%

Because the Plan has a solvency deficiency, there is a requirement for a solvency deficiency holdback to be withheld from payouts of commuted value for a period of five years. Solvency deficiency holdbacks owing as of December 31, 2014 are a total of $9.6 million (2013 - $3.0 million).

10. Provision for Annuity Obligations

The actuarial present value of the provision for annuity obligations was determined using management's best estimate of future investment performance and future pension indexing. Aon Hewitt performed an actuarial valuation for management purposes as at December 31, 2013 and they have extrapolated the results of that valuation to December 31, 2014 with interest and actual benefit payments. Actuarial valuations for management purposes are performed annually.

An actuarial valuation for filing purposes was performed as at December 31, 2013 by Aon Hewitt and filed with the regulatory authorities. On the basis of that valuation, application was made and granted for temporary solvency deficiency payment relief under the *Pension Benefits Act, 1992*. The next valuation to be filed will be required effective December 31, 2016.

The actuarial valuation was based on a number of assumptions about future events including interest rates, pension indexing (for members who elected indexed annuities) and mortality as follows:

	2014	2013
Interest Rate	6.2%	6.5%
Indexation of Pensions	2.5%	2.5%
Mortality	CPM 2014 Private at 115% for males and 100% for females (projected generationally)	UP94 (projected generationally)

The actual rates may vary significantly from the assumptions used. The following illustrates the effect of changing certain assumptions from the assumed interest rate of 6.2% and pension indexing of 2.5%. The changes in assumptions are independent of one another.

	Effect on Provision for Annuity Obligations			
	Interest Rate		Pension Indexing	
Assumptions	5.2%	7.2%	1.5%	3.5%
(Decrease) Increase	5.7%	(5.1%)	(0.6%)	0.7%

In the future, increases on non-indexed annuities will be granted to the extent that investment earnings exceed a threshold and to the extent that the assets will support it. As there is currently no surplus available, the liabilities for non-indexed annuities do not reflect any future indexing.

The cash outflow to pay the required annuity obligation is calculated using the above assumptions. The cash outflows in the next five years would be $11.3 million, in the next 10 years $18.6 million and in the next 30 years $26.5 million.

11. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Commission. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Commission reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The Commission also receives regular compliance reports from the Public Employees Benefits Agency on its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2014 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	2014	**2013**
Cash	$ 92,552	$ 39,205
Accounts receivable	9,868	9,988
Fixed income investments[1]	320,299	534,130
Due from the General Revenue Fund	3,176	4,063
Equities under security lending	134,825	78,588

[1]Includes short-term investments, bonds, bonds under security lending and derivatives.

Accounts receivable are made up of employee and employer contributions receivable, accrued investment income, and other receivables. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds from the sale of an investment will normally be received 3 days after the trade date.

Credit risk within investments is primarily related to short-term investments and bonds. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB unless otherwise permitted within specific investment manager mandate, and for short-term investments is A2/P2) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bonds are as follows:

(In thousands)

	2014		**2013**	
Credit Rating	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)
AAA	$48,944	17.74	$130,689	25.89
AA	58,639	21.25	136,315	27.00
A	98,773	35.80	140,136	27.76
BBB	62,257	22.56	74,622	14.78
BB	7,323	2.65	4,311	0.85
B	-	-	15,562	3.08
Unrated	-	-	3,219	0.64
Total	$275,936	100.00	$504,854	100.00

Within bond investments, there are no holdings from any one issuer (other than the Government of Canada or a Canadian province) over 5.14% (2013 – 3.11%) of the market value of the combined bond and short-term investment portfolios. No one holding of a province is over 10.11% (2013 – 14.44%) of the market value of the bond portfolio.

The Plan is also subject to credit risk through its use of derivative contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments, including short-term investments and bonds. Duration is a measure used to estimate the extent market values of fixed-income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits and surplus by $192 million at December 31, 2014 (2013- $166 million); representing 12.2% of the $1.6 billion fair value of fixed-income investments, of which $912 million (2013 - $855 million) is included in Repurchase Agreements – see Note 5. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits and surplus by $192 million at December 31, 2014 (2013 - $166 million); representing 12.2% of the $1.6 billion fair value of fixed income investments.

The Plan has implemented a fixed income overlay strategy to manage interest rate exposure. This overlay creates an asset-liability duration match which neutralizes the market value impact of interest rate shocks. Repurchase agreements have been transacted as a means to position duration of assets to parallel the duration (or interest rate sensitivity) of Plan liabilities.

Foreign exchange

The Plan is exposed to changes in the U.S./Canadian dollar exchange rate through its U.S. denominated investments and investment in private markets (includes private equity and infrastructure). Also, the Plan is exposed to non-North American currencies through its investment in non-North American equity pooled funds, investment in private markets.

Exposure to both U.S. equities and non-North American equities, including the pooled equity funds, is limited to a maximum of 41% of the market value of the total investment portfolio. At December 31, 2014, the Plan's exposure to U.S. equities was 21.7% (2013 – 24.6%) and its exposure to Non-North American equities was 13.6% (2013 – 13.7%).

In addition, at December 31, 2014 the Plan's exposure to private markets was 4.9% (2013 – 3.7%).

At December 31, 2014, a 10% change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $31.0 million (2013 - $26.8 million) change in the net assets available for benefits. A 10% change in the Canadian dollar versus the Non- North American currencies would result in approximately a $13.4 million (2013 - $10.8 million) change in net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services is not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as explained in Note 5. As at December 31, 2014, the Plan's exposure net of derivatives is $435 million (2013 – $376 million). A 10% change in the exchange rate would equate to a net change of $43.5 million (2013 – $37.6 million).

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and non-North American markets. Equities comprise 49.8% (2013 – 55.9%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10% of the market value of the Plan. As well, no one holding represents more than 30% of the outstanding share issue of any corporation.

The following table indicates the approximate change that could be anticipated for both the increase and decrease in net assets available for benefits based on changes in the Plan's benchmark indices at December 31, 2014:

	(in thousands)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 29,767	$ (29,767)
S&P 500 Index	43,258	(43,258)
MSCI EAFE Index	26,195	(26,195)

Securities lending

At December 31, 2014, no Plan assets have been deposited or pledged as collateral as part of the securities lending strategy. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2014, the total amount of collateral pledged to the Plan amounted to $149 million (2013– $126 million). Security lending obtains collateral of at least 105% of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Private Equity Risk

Risk in private equity investments are managed through diversification across sectors and locations. Adverse impacts in any one sector of the market or geographic location are minimized by having holdings diversified across sectors, geographic location and investment size.

Infrastructure Investment Risk

Risk in infrastructure investments are managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable are due within one year.

The Plan's future obligations include the Plan's accrued pension obligation and other contracts the Plan may enter that give rise to commitments of future outflows of cash. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions and by investing in liquid assets that are easily sold and converted into cash.

12. Administrative Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

(in thousands)

	2014		2013	
	Budget (unaudited)	Actual	Budget (unaudited)	Actual
Audit fees	$85	$62	$60	$79
Actuarial fees	125	127	227	182
Administration costs	6,047	5,141	5,433	4,736
Custodial fees	640	599	501	786
Investment fees	8,807	8,635	7,013	7,865
	$15,704	$14,564	$13,234	$13,648

13. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan are collectively referred to as "related parties". Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $6.0 million (2013 - $2.2 million) in Province of Saskatchewan Bonds. Investment gains on these bonds, including the current period change in the market value of investments, was $0.1 million (2013 - $0.1 million).

The Plan has an accounts payable balance as at December 31, 2014 of $0.8 million (2013 – $0.8 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of financial position and are settled at agreed upon exchange rates.

14. Capital Management

The Plan receives new capital from employee and employer contributions. The plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, fixed-income, infrastructure, private equity and short-term investments. The Commission has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

15. Investment Performance

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Commission. The Commission reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over 4-year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

2014	Annual Return	Rolling Four Year Average
Plan's actual rate of return before deducting investment and administration expenses	20.80%	11.12%
Benchmark	19.51%	9.77%

The Plan's benchmark for its investment portfolio has been determined using the actual returns of market indexes such as the S&P/TSX Capped Composite Index, Morgan Stanley, Europe, Australasia and Far East Index, DEX Universe Bond Index, 91 Day Canadian Treasury Bill, and Investment Property Databank Ltd. Return Index.

16. Fair Value

For financial instruments including due from general revenue fund, short-term investments, accounts receivable, and accounts payable, cost approximates fair value due to their immediate or short-term maturity.

The fair values of investments are considered to be market value, the calculation of which is detailed in Note 4.

17. Contingencies

A union representing participating employees has applied by Notice of Motion, which also names several participating employers, for an order quashing purported decisions of the Commission relating to the application of actuarial surplus in the fund, as well as other relief. It is not possible to estimate the potential effect of the claim at this stage in the proceedings.

Appendix - description of market indices

S&P/TSX Composite

The S&P/TSX Composite Index is Canada's bellwether electronically operated stock exchange. It is the headline index and the principal broad market measure for the Canadian equity markets. This is the basis for numerous sub-indices, which break down the Canadian market by different factors including size, Global Industry Classification Standard (GICS®) and income trust inclusion versus non-inclusion. The index is calculated and managed by Standard & Poor's and is the main benchmark for Canadian pension and mutual equity funds.

S&P/TSX Capped Composite

S&P/TSX Capped Composite index includes all constituents of the S&P/TSX Composite index with relative weighting of each constituent capped at 10% equity weighting.

S&P 500

Standard & Poor's 500 Composite Stock Index consists of the largest 500 companies in the United States chosen for market size, liquidity and industry group representation. It is a market-value weighted index, with each stock's weight in the index proportionate to its market value. For the purposes of this report, the S&P Index returns are converted from U.S. dollars into Canadian dollars and, therefore, reflect currency gains or losses.

MSCI EAFE

Morgan Stanley Capital International Europe, Australasia, Israel, and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of international equity performance. It is a free-float weighted equity index comprising of over 20 developed market country underlying indices representing developed markets outside of Canada and the US.

DEX UBI

DEX (formerly Scotia Capital) Universe Bond Index covers all marketable Canadian bonds with term to maturity of more than one year. The Universe contains over 1,000 marketable Canadian bonds with an average term of 10 years and an average duration of 6.5 years. The purpose of the index is to reflect the performance of the broad "Canadian Bond Market" in a similar manner to the S&P/TSX Composite Index.

DEX All Corporate Bond

DEX All Corporate Bond Index covers all marketable Canadian corporate bonds with a term to maturity of more than one year. The index is based on the Corporate sector of the DEX UBI. The purpose of the index is to reflect the performance of the corporate Canadian bond market.

DEX Long Term Overall Bond

DEX Long Term Overall Bond Index covers all marketable Canadian bonds with a term to maturity of at least 10 years. The index is based on the long-term bonds held within the DEX UBI. The purpose of the index is to reflect the performance of the long-term Canadian bond market.

DEX Long Government Bond

DEX Long Government Bond Index covers all marketable Canadian government bonds with a term to maturity of more than 10 years. The index is based on the government bonds held within the DEX UBI. The purpose of the index is to reflect the performance of the Canadian long government bond market.

IPD Total Property

The REALpac / IPD Canada Annual Property Index is published by the Investment Property Databank Ltd. On December 31, 2010, REALpac assumed the functions of the Institute of Canadian Real Estate Investment Managers ("ICREIM"), an organization originally formed to manage the Frank Russell Index for Canada and subsequently, the ICREIM / IPD Canada Property Index. The index measures total returns to directly held standing property investments from one open market valuation to the next. IPD compiles property level information from pension funds, life insurance companies and real estate managers on a quarterly basis.

91-Day T-Bills

Canada Treasury Bills represent the highest quality short-term instruments available. The index is constructed by selling and repurchasing Government of Canada T-Bills with an average term to maturity of 91 days. The Scotia Capital 91-Day Treasury Bill Index is calculated and marked to market daily.

CPI

Consumer Price Index is used to gauge Canada's inflation rate. The series used is the all items, not seasonally adjusted, 1992 base.

Russell 2000

The Russell 2000 Index offers investors access to the small-cap segment of the U.S. equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased barometer for the small-cap segment and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.